

## Message Text

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PAGE 01 MADRID 01298 171844Z  
ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 TRSE-00 CEA-01 FRB-03  
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FM AMEMBASSY MADRID  
TO SECSTATE WASHDC IMMEDIATE 9049

C O N F I D E N T I A L MADRID 1298

LIMDIS/GREENBACK

E.O. 11652: GDS  
TAGS: EFIN, EGEN, SP  
SUBJECT: PESETA PARITY: WALL STREET JOURNAL ARTICLE

REF: MADRID 1206 AND PREVIOUS

1. THE FEBRUARY 14 WALL STREET JOURNAL ARTICLE PREDICTING A PESETA FLOAT OR DEVALUATION AND ESTIMATING SPANISH CAPITAL FLIGHT HAS NOW PROVOKED A SECOND OFFICIAL GOS RESPONSE. THE FIRST OFFICIAL RESPONSE (REFTEL) WAS A STATEMENT THAT QUOTE IN THESE MOMENTS IT WOULD NOT MAKE ANY SENSE TO DEVALUE END QUOTE, A STATEMENT WHICH THE GOVERNMENT RADIO CALLED CATEGORICAL. LAST NIGHT (FEBRUARY 16) BANK OF SPAIN GOVERNOR LOPEZ DE LETONA ADDRESSED HIMSELF TO THE WALL STREET JOURNAL ESTIMATES OF CAPITAL FLIGHT FROM SPAIN, WHICH HE CALLED NONSENSE (DISPARATADA).

2. THE JOURNAL ESTIMATED THAT THE SPANISH CAPITAL FLIGHT REACHED 3.3 REPEAT 3.3 BILLION DOLLARS (AT 69 PESETAS TO THE DOLLAR, NEARLY 230 BILLION PESETAS). LOPEZ DE LETONA TOLD A NATIONAL RADIO AND TELEVISION AUDIENCE THAT THIS STATISTIC IS QUOTE REALLY SO NONSENSICAL THAT FOR ANYONE WITH AN AVERAGE KNOWLEDGE OF THE SPANISH ECONOMIC STRUCTURE IT WOULD BE ABSOLUTELY INCREDIBLE END QUOTE.  
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PAGE 02 MADRID 01298 171844Z

LOPEZ ALSO SAID QUOTE I COULD ASSURE FORMALLY THAT THE CAPITAL FLIGHT STATISTIC IN ANY CASE WOULD BE SMALLER THAN A TENTH OF THAT CITED END QUOTE. ACCORDING TO HIM, 107 MILLION REPEAT 107 MILLION PESETAS HAD BEEN CONFISCATED IN 1976 FOR CAPITAL FLIGHT, AND NOT, AS THE WALL STREET JOURNAL SAID, 250 MILLION REPEAT 250 MILLION DOLLARS (VOER 17 BILLION PESETAS).

3. COMMENT: IT IS VIRTUALLY CERTAIN THAT RESULT OF COUNCIL OF MINISTERS' MEETING FEBRUARY 18 WILL BE ANNOUNCEMENT OF NEW ECONOMIC MEASURES. ACCORDING TO EMBASSY SOURCES IN PRESIDENTIAL PLANNING SECRETARIAT, THE MEASURES ARE LIKELY TO INCLUDE INCREASED PUBLIC INVESTMENT, CREDIT INCENTIVES TO STIMULATE EXPORTS AND SMALL AND MEDIUM INDUSTRY, AND SOME INCREASE IN ENERGY PRICES, COMBINED WITH POSSIBLE ANNOUNCEMENT OF ADDITIONAL MEDIUM TERM MEASURES AIMED, INTER-ALIA, AT COMPLETELY FREEING INTEREST RATES BY THE END OF 1977 AND ACHIEVING MAJOR TAX REFORM WITHIN TWO YEARS. WE UNDERSTAND THAT IT IS HIGHLY UNLIKELY MEASURES WILL INCLUDE A CHANGE IN PESETA PARITY. ADVANCE IMPORT DEPOSITS HAVE BEEN DISCUSSED, WITH MINISTER OF INDUSTRY FAVORING THEM, BUT PLANNING OFFICE OPPOSING THEM. STABLER

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## Message Attributes

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